

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01
SEC-01 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01 /104 W
----- 072729 /63

R 202028Z DEC 76
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 9287
INFO TREASURY WASHDC

UNCLAS MEXICO 15938

E.O. 11652: N/A
TAGS: EFIN MX
SUBJ: NEW PUBLIC DEBT LAW

1. SUMMARY. ON DECEMBER 17, TREASURY SECRETARY ANNOUNCED A PROPOSED GENERAL LAW ON THE PUBLIC DEBT THAT WILL STRENGTHEN TREASURY'S CONTROL OVER PUBLIC SECTOR BORROWING. ESTIMATED PUBLIC SECTOR EXTERNAL DEBT FOR END-1976 IS 20 BILLION.

END SUMMARY.

2. PROPOSED GENERAL LAW ON THE PUBLIC DEBT DEFINES PUBLIC DEBT AS BEING FINANCIAL LIABILITIES OF FEDERAL GOVERNMENT, FEDERAL DISTRICT, DECENTRALIZED ORGANISMS, COMPANIES IN WHICH THE GOVERNMENT IS A MAJORITY SHAREHOLDER, NATIONAL CREDIT INSTITUTIONS AND GOVERNMENT TRUSTS. ALL FOREIGN AND DOMESTIC BORROWING BY THESE ENTITIES MUST HAVE PRIOR APPROVAL OF THE TREASURY AND TO OBTAIN THIS APPROVAL, THE ENTITIES MUST PROVIDE APPROPRIATE FINANCIAL PLANS TO THE TREASURY. THERE MUST ALSO BE SOME EVIDENCE THAT THEY CAN REPAY THE DEBTS.

3. THE CONGRESS MUST APPROVE THE OVERALL VOLUME OF
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FINANCING AND INFORMATION ON THIS IS TO BE MADE AVAILABLE IN THE ANNUAL ACCOUNTS OF THE TREASURY. DATA ON BORROWINGS FOR "MONETARY REGULATION" WILL NOT BE MADE PUBLIC. LAW ALSO CREATES AND ADVISORY COMMITTEE ON PUBLIC SECTOR EXTERNAL DEBT TO BE CHAIRED BY TREASURY TO ADVISE THE SECRETARY.

4. LAW PROVIDES THAT FEDERAL GOVERNMENT BORROWINGS WILL CARRY "FULL FAITH AND CREDIT" OF UNITED MEXICAN STATES, AND THAT TREASURY CAN GIVE FEDERAL GOVERNMENT GUARANTEE TO BORROWINGS USED FOR ECONOMIC DEVELOPMENT PROJECTS THAT WILL GENERATE RESOURCES FOR REPAYMENT OF DEBT. LAW DOES NOT EXTEND "FULL FAITH AND CREDIT" PROVISION TO ANY NEW PUBLIC SECTOR ENTITIES.

5. AT PRESS CONFERENCE, MOCTEZUMA WAS ASKED IF MEXICO WERE RENEGOTIATING ITS DEBT. HE REPORTEDLY REPLIED THAT DEBT IS VERY FLEXIBLE AND SOME PARTS OF IT ARE BEING RENEGOTIATED WHEREAS OTHER PARTS ARE BEING REPAID.

6. GOM ALSO ISSUED ESTIMATE OF ITS FOREIGN DEBT AS OF DECEMBER 31, 1976, AS FOLLOWS IN MILLION OF DOLLARS.

A. TOTAL	20,000
B. DEBT WITH MATURITY OVER ONE YEAR	15,845.6
1. FEDERAL GOVERNMENT	2,123.3
2. PUBLIC SECTOR ORGANISMS AND BUSINESSES	7,257.3
3. FEDERAL DISTRICT AND MEXICO CITY METRO	871.5
4. OTHER NON-FINANCIAL ORGANISMS	1,949.0

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5. FINANCIAL INTER-MEDIARIES	3,644.5
C. SHORT-TERM	4,154.4
1. PUBLIC SECTOR ORGANISMS AND ENTERPRISES	628.0
2. OTHER NON-FINANCIAL ORGANISMS	60.6
3. FINANCIAL INTERMEDIARIES	3,465.8

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, GOVERNMENT DEBTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO15938
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760467-0830
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761228/aaaaayee.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: schwenja
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUN 2004 by chengls>; APPROVED <31 AUG 2004 by schwenja>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW PUBLIC DEBT LAW
TAGS: EFIN, MX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006